



CI Games S.A.

REPORT ON COMPANY OPERATIONS
2014



WARSAW, MARCH 23, 2015

Dear Shareholders, Coworkers and Partners!

The past year was particularly important for CI Games. We proved that we can score big commercially based on a product that is receiving strong reviews on both sides of the Atlantic. In key global markets, including the U.S., Lords of the Fallen was our first game to be sold at full retail price. It was released on three platforms: PS4, Xbox One and PC, and is being distributed in traditional retail channels and online.

We once again reported impressive sales. PLN 97.7 million is an especially satisfying result taking into account the fact that almost all of it came from the sale of games that we developed ourselves. We are very proud of this.

We closed the year with PLN 1 million in profit. This is considerably below our expectations. The main reason for this was the commercially unsuccessful release of Enemy Front. The game was released for older consoles, the popularity of which has been very quickly waning since the next-gen equipment was introduced. Moreover, the game itself did not generate sufficiently positive feedback from the players and industry media. We do not plan on investing any further in the Enemy Front brand, so there will be no more games under this franchise.

One very good sign for the future is the strong growth recorded in online sales, as compared with traditional in-store retail. In 2014, online sales accounted for 27% of our revenue, versus just 12% in 2013. Online distribution is much more beneficial for us due to visibly stronger margins. We expect online sales to have an increasingly significant share in total revenue.

We are currently working on two large projects under existing and proven franchises. Both of these have enjoyed substantial commercial successes in the past. Sniper Ghost Warrior 3, set to be released in 2016, and another installment of Lords of the Fallen for next-gen consoles and PCs – both of the games are being developed in line with our proven strategy providing for combining our internal teams with foreign outsourcers.

2015 is the first year in which we began significantly investing in games for smartphones and tablets. Lords of the Fallen for mobile platforms is expected to be released later this year. This will be a title from the large free-to-play game segment. We plan to capitalize on the popularity of the Lords of the Fallen franchise, combined with high product quality and expert know-how in project commercialization, in the mobile segment.

I am deeply convinced that CI Games will continue to grow dynamically. There is every indication that the best years for our company are yet to come. Our experience and the strength of our entire team will let us take the next huge step forward. I want to thank our shareholders, employees and partners for another year together. I believe that what we have built together will be a foundation for further, even greater successes.

Sincerely,
Marek Tymiński
President of the Management Board
CI Games S.A.

CI Games S.A. Management Board Declaration

Pursuant to the Ordinance of the Minister of Finance of 19 February 2009 (Polish of Laws of Laws no. 33, item 259, as amended) on current and periodic information provided by the issuers of securities and the conditions for recognizing information required by the provisions of law of a non-member state as equivalent, the Management Board of CI Games S.A. declares that to the best of its knowledge the annual financial statements and comparative data have been drawn up in accordance with binding accounting principles and correctly, reliably and clearly reflect the Company's financial and asset position together with its financial performance, and that the annual report on Company operations contains a true depiction of the development, achievements and situation of the Company, including a description of key threats and risks.

The Management Board of CI Games S.A. declares that the entity authorized to audit financial statements that audited the Company's annual financial statements was selected in accordance with the provisions of law and that this entity and the statutory auditors conducting the audit fulfilled the conditions for issue of an impartial and independent report on audit of the financial statements in accordance with binding regulations and professional standards.

Management Board of CI Games S.A.

Marek Tymirski

President of the Management Board

Adam Pieniacki

Member of the Management Board

Warsaw, March 23, 2015

1. DESCRIPTION OF BUSINESS AND RESOURCES

1.1. Mission of CI Games S.A.

We focus on creating high-quality innovative products, through which we continuously reinforce our position in the video game industry.

Acting based on a sensibly crafted vision, we consistently strive to deliver ever more advanced games, which translates into commercial and financial successes.

In response to dynamically shifting market conditions, we base our business model on knowledge and collaboration with carefully selected entities, believing that this is a strategy which gives us optimal effectiveness and full control over the games that we develop.

1.2. Description of CI Games S.A.'s business and resources

The Company operates in the global video game development and publishing market. CI Games S.A. is the first listed company in this sector in Central and Eastern Europe and the first to emerge as an international player and generate outstanding market and financial performance. The Company's strategic goal is to build a portfolio of recognizable brands in the most popular video-game genres, using its advanced know-how and experienced team.

In the gaming market, the Company appears as:

- Developer, with in-house production studios,
- Publisher of own games and licensed products, being responsible for marketing strategy and product roll outs using local distributors,
- Distributor, selling products directly to retail chains and online.

The Company is investing in expanding its management and creative talent through hiring developers with years of experience in managing projects at well-respected studios throughout the world. The Group also works with leading technology providers and makes use of the latest equipment and software. The Issuer has executed agreements on game development and independent distribution with owners of the most popular gaming consoles, i.e. Sony and Microsoft. The Company produces games for current-generation platforms (PlayStation®3 and Xbox360®), next-gen (Xbox One® and PlayStation®4), as well as for PCs.



In order to maximize sales performance and marketing potential, CI Games collaborates with international distributors who operate in specific regional markets and are responsible for implementing promotional campaigns. Through combining the above three functions, the Company may effectively control the process of game development and distribution.

1.3. Products of CI Games S.A.

CI Games S.A. is a globally recognized game developer. The Company's flagship products are games from the Sniper Ghost Warrior and Lords of the Fallen franchises.



Key features of the Company's bestsellers:



- ✓ **3.6 million copies sold**
- ✓ First-person shooter (FPS)
- ✓ Premiered in June 2010
- ✓ Compatible with PC, PS®3 and Xbox 360®
- ✓ gry-online.pl review:



- ✓ **More than 2 million copies sold**
- ✓ FPS
- ✓ Premiered in March 2013
- ✓ Compatible with PC, PS®3 and Xbox 360®



- ✓ An action-RPG for mature players
- ✓ Co-developed with the German studio Deck 13
- ✓ A game for next-gen consoles: PS®4 and Xbox One®
- ✓ Released on October 24, 2014



1.4. Game development process

The process of developing video games for PCs and consoles consists of the following phases:

Phase I - concept (approx. 6 months)

Game development starts with an idea or early concept. Based on:

- monitoring trends on the video game market and the wider entertainment market,
- analyzing game sales results,
- defining success drivers for specific games,

a decision is made as to which type of game to develop, and a concept is selected. The idea is often a modification of a previously released game.

Phase II - pre-production (approx. 6 months)

Pre-production is an early phase where the developers focus on designing gameplay elements and creating design documents. One of the main objectives in this phase is development of comprehensive and easy to understand documentation that contains all project guidelines and a work schedule.

Prototypes are created during pre-production, which are then used as the so called concepts.

Phase III - production (approx. 12 months)

Production is the key part of game development that results in source code, graphics and sound being created. Tens or even hundreds of people are involved at this stage in the process. Testing computer games begins as soon as the first source code is written, and continues until the game is sent to be manufactured and eventually sold.

Early on in the production phase, the game enters its alpha version. This is a moment when the main gameplay elements have already been implemented.

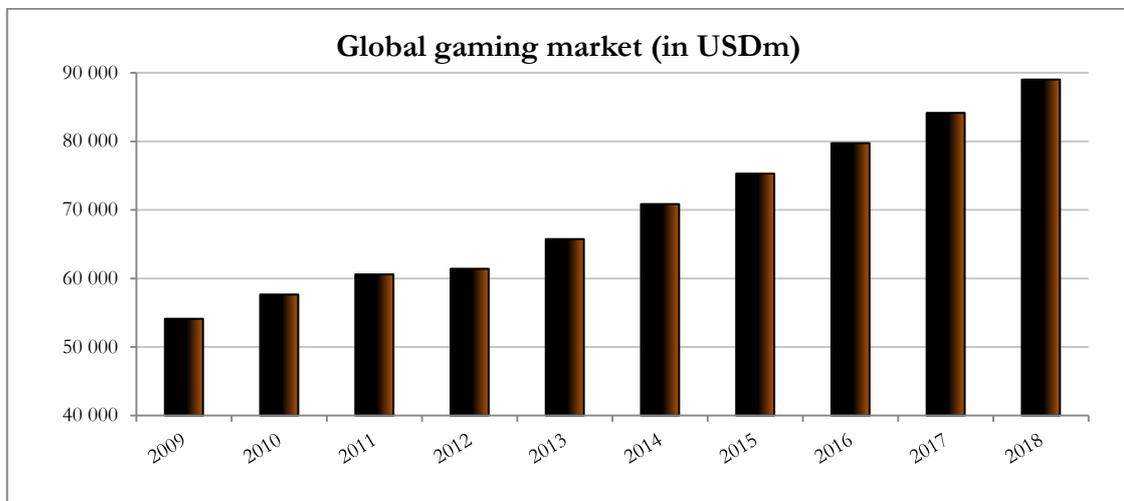
In beta, all functions are already implemented, and the developers focus on fixing bugs. Beta-version tests take place two to three months prior to the release. When the game is sent to be mass-produced, that version is called golden. The golden version, in electronic format, is also sent to Sony and Microsoft to be certified for their consoles. Once certified, the game is sent to be manufactured on DVDs.

Phase IV - post-production (approx. three weeks)

Once certified, games are sent to be manufactured on DVDs, and then distributed to stores all over the world. On the release date, consumers can purchase games on DVDs directly in stores, or online at websites such as Steam.com or PSN.

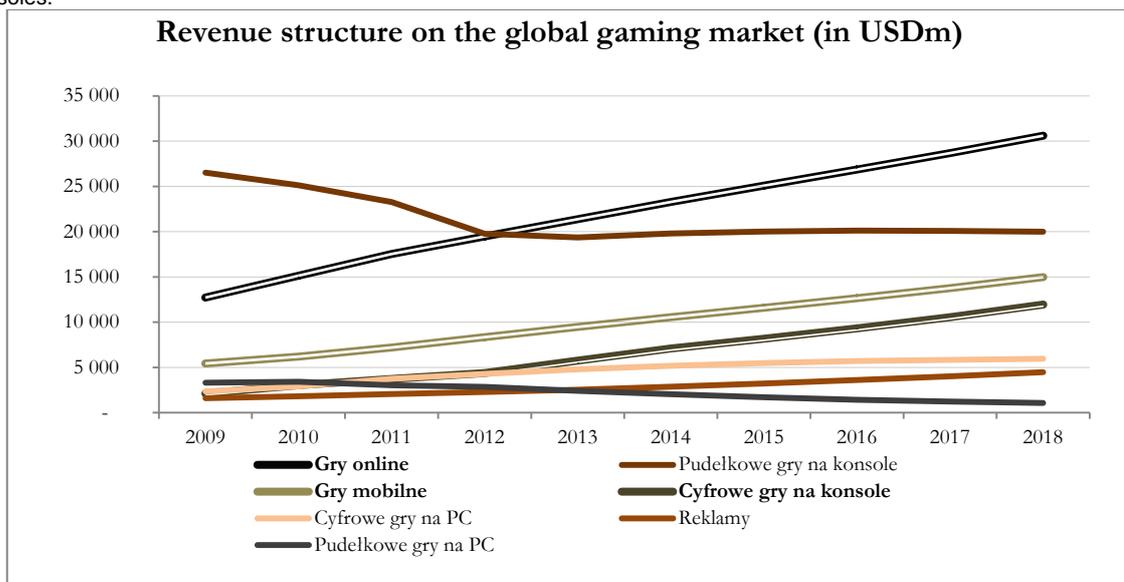
1.5. Description of the Company's market

The video game market is currently the largest and most dynamically growing segment of the wider entertainment market (movies, music, games). The budget of certain AAA games exceeds that of the largest Hollywood productions (e.g. Destiny from Bungie, was released in 2014 with an estimated budget of USD 500 million), and companies that develop mass titles can boast very high valuations (Mojang, the developer behind Minecraft, was recently sold to Microsoft at a USD 2.5 billion valuation, i.e. 8 x revenue).



Source: PwC "Global entertainment and media outlook: 2013-2018"

Revenue growth on the gaming market will be driven mainly by online games, mobile games as well as digital games for consoles.



Source: PwC "Global entertainment and media outlook: 2013-2018"

1.6. Share capital

The share capital of CI Games S.A. is PLN 1 391 499.90 and is divided into 13 914 999 shares with a nominal value of PLN 0.10 each:

- 10 000 000 series A shares,
- 40 000 series B shares,
- 2 500 000 series C shares,
- 110 000 series D shares,
- 1 264 999 series E shares,

Series A shares were subscribed for by then-current shareholders in City Interactive Sp. z o.o. on the date the company was transformed into a public limited company (spółka akcyjna).

Series B shares were issued under an incentive scheme and were subscribed for by the Parent's employees and partners. The District Court made registration of the increase in share capital as a result of issuing series B shares on 10 August 2007.

Series C shares were subject to a public offering in November 2007, which was a complete success. All offered shares were purchased and paid for. On December 17, 2007, the District Court in Warsaw made registration of the increase in the Parent's share capital as a result of issuing series C shares.

Series D shares were issued under an incentive scheme and were subscribed for by the Parent's employees and partners. The District Court made registration of the increase in share capital as a result of issuing series D shares on 9 October 2009.

Series E shares were the subject of a private placement in December 2013. All offered shares were purchased and paid for. On February 6, 2014, the shares were introduced to trading on the parallel market via a regular procedure.

There are no securities carrying special control entitlements in relation to the Company, since in accordance with the Parent's articles of association all shares issued are ordinary bearer shares with equal nominal value carrying the same rights and obligations for each shareholder, without any share- or shareholder-specific entitlements.

1.7. Company shareholding structure at the publication date of this report

Shareholder	Number of shares	% in share capital	Number of votes at GM	% of votes at GM
Marek Tymiński	6 356 357	45.68%	6 356 357	45.68%
Other shareholders	7 558 642	54.32%	7 558 642	54.32%

1.8. Own shares

The Company did not purchase or hold its own shares during and at the end of the reporting period.

1.9. Entity's resources

The Company's business is to a large extent based on creative conceptual and intellectual work. Resources necessary for developing games are widely available (computers, servers, internet access, specialized software). The Company flexibly uses its HR resources and, if needed, commissions work to experts and artists regardless of their nationality or place of residence. Many of the tasks are performed on a freelance basis, depending on project needs and phase. Because of this, the employment structure is subject to dynamic changes, which is in line with the adopted strategy.

1.10. Composition of the Entity's governing bodies

Management Board of CI Games S.A.

Marek Tymiński President of the Management Board throughout 2014
Adam Pieniacki Member of the Management Board from June 16, 2014

Supervisory Board of CI Games S.A.

Krzysztof Sroczyński Chairperson of the Supervisory Board throughout 2014
Marek Dworak Member of the Supervisory Board throughout 2014
Lech Tymiński Member of the Supervisory Board throughout 2014
Grzegorz Leszczyński Member of the Supervisory Board throughout 2014
Tomasz Litwiniuk Member of the Supervisory Board throughout 2014

1.11. Information regarding shares in the Entity held by Management Board and Supervisory Board members

Person	Position	As at December, 31 2013	Increase in shareholding during the period from December 31, 2013 to March 23, 2015	Decrease in shareholding during the period from December 31, 2013 to March 23, 2015	As at March 23, 2015
Marek Tymiński	President of the Management Board	6 356 357	-	-	6 356 357
Lech Tymiński	Member of the Supervisory Board	9 565	-	-	9 565

1.12. Information on employee share ownership program control systems

All shareholders whose stake in the Company's share capital as at the date of approving the prospectus exceeded 2% undertook towards the Company that during the twelve-month period from the date of the first listing of rights to the Company's shares on the Warsaw Stock Exchange they would not encumber or pledge – with the exception of the possibility to establish a pledge for a bank in order to provide collateral for loans, nor dispose nor in any other manner transfer ownership, nor undertake to perform such action in relation to the entirety or part of shares, in any manner for the benefit of any person or entity unless consent for such action is expressed by the Company's Supervisory Board. The obligation was intended to cease being binding in the event that CI Games S.A.'s share price (closing rate on the WSE) exceeded the issue price by at least 20%.

The above obligation concerned a total of 8 987 265 series A shares held by the above-mentioned shareholders, which constituted 90% of shares held by them as at the date on which the prospectus was approved. All shares which were subject to agreements on limitation of their assignability were deposited in brokerage accounts held by DM IDMSA.

In July 2007, the Company issued 40 000 series B shares at an issue price of PLN 1 under a motivational program for its employees and significant associates. Persons subscribing for series B shares entered into a lock-up agreement with the Parent, limiting the assignability of shares for a period of either two or three years. In this manner the Issuer's employees and associates holding a total of 40 000 series B shares in City Interactive S.A., constituting in total 100% of series B shares in the Company, entered into an agreement with the Company pursuant to which they undertook not to dispose of any of series B shares held for a period of one year and:

- 70% of series B shares held for a period of one subsequent year for a total of 20 150 shares,
- 90% of series B shares held for a period of one subsequent year for a total of 19 850 shares,

Furthermore some persons under the aforementioned motivational program also became the holders of series A shares at a price of PLN 1. Employees and associates holding a total of 35 650 series A shares in CI Games S.A. submitted an official obligation not to dispose of any of the shares held for a period of 1 year and 90% of shares held for a subsequent period of two years.

All shares which were subject to agreements on limitation of their assignability were deposited in brokerage accounts held by DM IDMSA.

In the event of employment or cooperation being terminated with a shareholder holding shares covered by the motivational program, his/her shares were or are transferred to another person designated by the Company's Management Board.

110 000 ordinary series D shares in the Company were issued on 30 June 2009. These shares were subscribed for by CI Games S.A. employees at the issue price – PLN 1 per share.

There are no limitations on exercising voting rights carried by shares in the Company under the employee scheme.

1.13. R&D

The game development process requires numerous unusual and unique solutions to be implemented in areas such as gameplay elements, artificial intelligence, simulator work, character design or the developing of elements of the widely defined virtual world.

In separate projects, the Company has been working on prototyping innovative technology for opponent behavior and developing gameplay elements for computer games from an FPS perspective with sandbox elements.

In the coming years, once EU funding is secured, the Company plans to expand work on new R&D projects.

2. BUSINESS OBJECTIVES AND RISKS

The Company's business objective is to deliver high quality entertainment products to players all around the world who use consoles, PCs and mobile devices. The scope of our business encompasses the production, publishing and distribution of video games. The Company has vast competences in all of the above areas, which makes it possible to deliver on our goals.

Looking to grow the Company's value, the Management Board aims to expand the scale of the games being developed in terms of both the projects themselves and marketing activities. The Group is progressing towards its goals also by continually working on improving the profitability of each of its ventures.

2.1. Significant risks and threats

During the reporting period, bodies authorized to audit and supervise the Group's business did not identify any legal violations that would have a considerable impact on its situation.

The Company's Management Board did not publish any estimates or forecasts concerning the Group's results other than those presented in this report.

According to the Management Board, there are no significant circumstances that would indicate the inability or serious threat to continue the entity's operations in the foreseeable future.

According to the Management Board, there are no substantial threats to the Company's continuing as a going concern.

Main external factors having effect on the Company are as follows:

Macroeconomic risk

The video game market, which is where the Company operates, is highly competitive, and technology and consumer interests change rapidly. A significant factor that exerts a negative impact on operational efficiency are the macroeconomic fluctuations in specific markets. In order to minimize risk, the Company develops its operations on a global scale, independently releasing products in all of the most significant markets around the world. In recent years the entertainment industry has been developing dynamically, and it is estimated that the value of the video gaming market has already exceeded that of the film industry.

Competition risk

The Company operates in a market where the leading position is held by companies with strong, established positions. The Company efficiently utilizes its key assets: experienced team, worldwide distribution network and cost advantage linked with lower profitability thresholds in relation to other, much larger developers. A flat organizational structure enables flexibility and short reaction time. Since mid-2014, the Company has been currently developing games exclusively for new-gen consoles (Sony PlayStation4®, XboxOne®) and PCs that have high commercial potential.

Risk of change in trends

The Company operates in the new technology and virtual entertainment fields, where product life cycles are relatively short. What cannot be counted out is the risk of new solutions appearing, meaning that the products offered by the Group cease to be attractive and do not ensure the desired revenue. In order to minimize this risk a strategy has been adopted to follow trends and offer a range on the market which is proven and enjoys success amongst customers, rather than setting trends, a strategy that is a lot more expensive and risky.

The Company's principal activities in this field are based on continuous monitoring of the market with regard to the development of new technologies through next-gen consoles, mobile devices and internet.

The current project pipeline ensures diversification of CI Games' product range and mitigates market risk.

Risk of changes in legal and regulations

Frequent changes in legal and tax regulations in Poland and other markets constitute a threat to the Company's operations. This concerns the regulation and interpretation of regulations connected with intellectual property, capital market, labor law and social security, tax law and regulations concerning commercial law. In some countries the issue of banning video games containing elements of violence is frequently raised. There is thus a risk of changes in regulations in a country where the Group sells its products which could have a negative impact on the Group's financial performance.

At the same time the Company undertakes activities aimed at eliminating risk through cooperating with specialist law firms around the world as well as insuring its entire catalog against product liability.

Currency risk

Most of the Company's revenue in 2014 was generated in two currencies: EUR and USD. The Parent hedges currency risk through incurring liabilities in these currencies.

Risk factors directly connected with the Company's operations include:

Risk associated with loss of key employees

The Company's success is to a large extent dependent on the knowledge and experience of employees. This is a characteristic feature of video game developers in a business where the key assets are intangible. In this market it is difficult to seek out qualified industry specialists. The recruitment of new employees is furthermore combined with the period of their introduction to work, resulting in a temporary decrease in productivity.

Risk associated with loss of key customers

Sales are conducted on the basis of a developed retail network in Poland and on close cooperation with international distributors from around the world. This is a risk associated with the termination of distribution agreements or the bankruptcy of entities that are formal purchasers of goods and for which the Company is a creditor. In order to minimize the possibility of incurring losses, the Parent has subsidiaries in the most operationally significant markets such as the U.S., the U.K. and Germany, whose task is to constantly expand distribution opportunities and to work closely with distributors.

Supplier risk

One risk area related to suppliers is the introduction of titles on specific consoles and cooperation with their owners during the certification process. Non-acquisition of certification and the potential for termination of release agreements for consoles are two main elements of risk that exist in reality and may have an impact on the Company's financial results. It should however be emphasized that the Issuer makes specific efforts to meticulously fulfill and perform all obligations under agreements entered into between such entities and the Issuer or its subsidiaries. Payments connected with the release of games for consoles formed the main part of the Company's commercial liabilities during the reporting period and are always paid on time.

Corporate growth risk

The rising costs of game development may lead to an increase in the need for external financing. Should the need to finance additional projects arise CI Games S.A., has the capability to raise capital from the financial markets.

Product portfolio risk

The video game market is driven by expectations connected with the release of new products. There is a risk that some products are finished later than planned, which as a consequence has a negative impact on cash flows generated and the financial result in specific periods.

Internal factors that can cause the delay of a release include difficulties in specifying the time needed to finish production and inspect the quality of a game in order for it to fulfill all expectations relating to quality. The release of a game that does not fulfill the high standards adopted by the Company could have a negative impact not just on the anticipated revenues from sale of this specific product but could also weaken the Company's image.

An external factor capable of resulting in the decision to postpone a release is the market situation, since an important element of the decision-making process is release of a game when competition from other products is at its lowest. Amongst other external factors a significant element is supplier delays in timely preparation of ordered game components.

In many instances rescheduling of a release is connected with an element of marketing known as the "long-awaited game," which is beneficial in creating a product image.

An additional aspect is the risk of companies or external persons threatening the Company with legal action concerning copyrights to games, their elements, trademarks or reserved names for specific products. Operations in the United States are particularly exposed to this risk since this jurisdiction is characterized by strict legislation. In order to avoid losses here, the Company hires law firms specializing in intellectual property law and registers the trademarks of its products. In submitting such an application to protect trademarks in the European Union and in other countries around the world, availability in specific markets is verified and the risk of violating third party trademarks is estimated.

Liquidity risk

The Company is exposed to liquidity risk. Protection against the risk of customer default is ensured through analyzing their financial condition and monitoring payment of receivables on an on-going basis. The Parent is also able to raise capital through bank debt or bond issues.

Risk associated with incorrect estimates for expenditures and future sales

The production, publishing and distribution of products requires estimates to be made prior to market launch as regards the future value of sales of own products. In practice, there exist substantial differences between specific products in terms of units sold and the capacity to generate revenue on those sales. Based on many years of experience, the Company estimates the commercial potential for each of its titles, however it is unable to fully eliminate the risk of erroneously estimating expenditures and futures sales.

Risk associated with delays in game development

Rescheduling and delays in computer game releases are a normal occurrence on the video game market. The production of computer games is a complex and costly process, based largely on creative and artistic work, resulting in substantial risk of incorrectly predicting the work schedule on any given game, as well as the risk of technical programming-related problems arising (e.g. failure to meet quality requirements or problems with proper functioning of the game), as well as insufficient financing or the lack thereof.

Risk associated with producing games for consoles, smartphones and tablets

Producing games for consoles and iOS and Android devices means having to go through certification by platform owner. There is a risk that cooperation with the platform owner will end, that there will be delays in obtaining certification or that it will not be obtained - for a game that has already been produced, which could result in a delayed release. The Company has entered the mobile gaming segment, where it minimizes risks connected with new market entry by selecting partners who are already experienced in this area.

2.2. Overview of capacity to deliver on investment objectives

CI Games S.A. has the capacity to finance its investment projects. During FY 2015, the Company intends to maintain the existing level of investment. It will use own funds as well as capital raised from the banking or financial sector to finance its investment projects.

3. OPERATIONAL RESULTS AND FINANCIAL SITUATION**3.1. Description of the Company's significant achievements or set-backs in 2014 and events impacting its financial results**

- New credit agreement**
 On February 21, 2014, the Company signed a current-account loan agreement with Bank Spółdzielczy w Ostrowiu Mazowieckiej, having its registered office in Ostrów Mazowiecka, ul. 3-go Maja 32. The Company received a PLN 5 million limit to be used for general corporate purposes, including Enemy Front and Lords of the Fallen development and marketing. Terms did not differ from market terms.
 The final repayment date is March 31, 2015.
- Execution of reverse factoring agreement and annex to existing treasury transactions**
 On May 13, 2014, the Company executed a reverse factoring agreement with Warsaw-based Alior Bank S.A., under which the bank issued a EUR 2 million limit to the Issuer for financing products/licenses/production work concerning Enemy Front and Lords of the Fallen. The final repayment deadline is February 28, 2015.

The terms and provisions of the agreement did not differ from those normally applied to this type of agreement. At the same time, the Company executed an annex with Alior Bank S.A. to a treasury services framework agreement, under which forward contracts may be executed, extending the framework agreement to May 12, 2015.

- **Release of Enemy Front**

On June 13, 2014 Enemy Front was released for PlayStation® 3, Xbox360® and PC. In the first run, the Company sold over 300 000 copies to distributors in the U.S. and Europe.

In connection with having completed work on Enemy Front, certain decisions were made regarding optimization of the Company's organizational structure and liquidation of branches, which positively affected cash flows.

- **Management Board member appointment**

On 16 June 2014, the Company's Supervisory Board appointed Adam Pieniacki as a member of CI Games S.A.'s Management Board. Adam Pieniacki was CFO at CI Games S.A.

- **General Meeting of CI Games S.A.**

An ordinary general meeting of CI Games S.A. took place on June 17, 2014, which adopted the following resolutions:

- resolution 1 regarding appointment of the general meeting chairperson,
- resolution 2 regarding decision not to appoint a counting committee,
- resolution 3 regarding adoption of an agenda,
- resolution 4 regarding examination and approval of the management report on the operations of CI Games S.A. for 2013,
- resolution 5 regarding examination and approval of the financial statements of CI Games S.A. for 2013,
- resolution 6 regarding examination and approval of the management report on the operations of the parent of CI Games Group for 2013,
- resolution 7 regarding examination and approval of the financial statements of CI Games Group for 2013, prepared by the parent,
- resolution 8 regarding distribution of profit for 2013,
- resolution 9 regarding a vote of approval for the President of CI Games S.A.'s Management Board for 2013,
- resolution 10 regarding a vote of approval for a Member of CI Games S.A.'s Management Board for 2013,
- resolution 11 regarding examination and approval of the Supervisory Board's report on activities in 2013 and statement on evaluation by the Supervisory Board of the Management Board report on CI Games S.A.'s operations and CI Games Group's financial statements for financial year 2013,
- resolution 12 regarding a vote of approval for the Chairperson of CI Games S.A.'s Supervisory Board for 2013 (K. Sroczyński),
- resolution 13 regarding a vote of approval for a Member of CI Games S.A.'s Supervisory Board for 2013 (M. Dworak),
- resolution 14 regarding a vote of approval for a Member of CI Games S.A.'s Supervisory Board for 2013 (L. Tyimiński),
- resolution 15 regarding a vote of approval for a Member of CI Games S.A.'s Supervisory Board for 2013 (T. Litwiniuk),
- resolution 16 regarding a vote of approval for a Member of CI Games S.A.'s Supervisory Board for 2013 (G. Leszczyński),

- **Liquidation of subsidiary**

On September 2, 2014, the Company received a decision from Canada's Ministry of Finance regarding consent for dissolution (liquidation) of one of the Company's subsidiaries: City Interactive Canada Inc, based in Ontario, Canada, which was not operational because distribution activities in both Americas were transferred to a U.S.-based subsidiary of the Company as well as to the parent, CI Games S.A.

Due to a lack of economic or operational justification for maintaining an office in Canada, the Management Board of CI Games S.A. decided to liquidate the company.

- **Lords of the Fallen release**

Lords of the Fallen, an action RPG produced for next-gen consoles PlayStation®4 and XboxOne®, was released on October 28, 2014. In the first run, the Company sold over 600 000 copies to distributors in the U.S. and Europe, with the total for the fourth quarter of 792 000.

- **Execution of reverse factoring agreement and annex to existing treasury transactions**

On October 3, 2014, the Company signed an annex with Alior Bank S.A. to a reverse factoring agreement of May 13, 2014, pursuant to which the financing limit was increased from EUR 2 million to EUR 2.6 million. The other significant provisions and terms of the agreement remained intact.

- **Series E bond buy-back**

On December 18, 2014, the Company completed a full and timely buy-back of CI Games S.A.'s series E bonds. The total value of the buy-back, together with interest, was PLN 5 703 000.

3.2. Exchange rates

Balance sheet assets and liabilities are translated using the average exchange rate announced by the National Bank of Poland as at the end of the reporting period:

- EURPLN as at December 31, 2013 - 4.1472
- EURPLN as at December 31, 2014 - 4.2623

Items in the statement of profit and loss and statement of cash flows are translated using average exchange rates, calculated as the arithmetical average of exchange rates announced by the National Bank of Poland as at the last day of each month in a given period:

- EURPLN in 2013 - 4.2110
- EURPLN in 2014 - 4.1893

3.3. Selected financial data

STATEMENT OF PROFIT AND LOSS	2014		2013	
	PLN 000s	EUR 000s	PLN 000s	EUR 000s
Net revenue from sales	97 700	23 322	100 971	23 978
Profit (loss) from operating activities	1 214	290	14 177	3 367
Gross profit (loss)	1 121	267	10 502	2 494
Net profit (loss)	1 017	243	26 677	6 335
Number of shares (in 000s)	13 914	13 914	13 914	13 914
Profit (loss) per ordinary share	0.07	0.02	1.92	0.46

The Company posted PLN 97.7 million in net revenue from sales, denoting a PLN 3.3 million decrease from 2013. The principal factor contributing to the sales results achieved during the period were the following releases: Enemy Front and Lords of the Fallen, as well as commencement of products sales within the U.S. through a subsidiary.

A description of factors affecting the Company's operating performance is provided in point 3.4 of this report.

In 2014, the Company's net profit came to PLN 1 million, resulting primarily from the earnings generated on Lords of the Fallen and loss obtained on Enemy Front.

BALANCE SHEET	31.12.2014		31.12.2013	
	PLN 000s	EUR 000s	PLN 000s	EUR 000s
Non-current assets	61 010	14 314	72 087	17 382
Current assets	37 753	8 858	27 135	6 543
Total assets	98 763	23 171	99 221	23 925
Equity	80 415	18 867	79 399	19 145
Share capital	1 391	326	1 391	336
Liabilities	18 348	4 305	19 823	4 780
Non-current liabilities	4 467	1 048	1 122	271
Current liabilities	13 880	3 256	18 701	4 509
Total equity and liabilities	98 763	23 171	99 222	23 925

CI Games S.A.'s carrying amount as at December 31, 2014 was PLN 98.8 million, a 0.5% increase in comparison with December 31, 2013.

Non-current assets recognized in the balance sheet as at December 31, 2014 amounted to PLN 61 million (accounting for 62% of the Company's total assets) and had decreased by 15% in comparison with the situation as at December 31, 2013.

The decline in non-current assets results mainly from a decrease in intangible assets as at the 2014 year-end, comparing with the end of 2013. This has to do with having completed development of Enemy Front and Lord of the Fallen in 2014.

The Company's current assets as at December 31, 2014 amounted to PLN 37.8 million, a 39% increase, mainly on the back of growth in receivables. Trade receivables increased, resulting from the release and commencement of sales of Lords of the Fallen in the fourth quarter, namely on October 28, 2014.

As at December 31, 2014, the Company's equity amounted to PLN 80.4 million (81.4% of the carrying amount), denoting a 1.3% increase in relation to December 31, 2013. The increase in equity mainly resulted from growth in retained earnings.

The Company's liabilities on the balance sheet date were PLN 18.3 million, down PLN 1.5 million from the end of 2013, which on the one hand resulted from repayment of credit facilities, while on the other - growth in a deferred tax provision.

STATEMENT OF CASH FLOWS	2014		2013	
	PLN 000s	EUR 000s	PLN 000s	EUR 000s
Net cash flows from operating activities	32 340	7 720	31 145	7 396
Net cash flows from investing activities	-27 461	-6 555	-30 953	-7 351
Net cash flows from financing activities	-6 179	-1 475	-4 672	-1 110
Net cash flows	-1 300	-310	-4 480	-1 064

The Company entered 2014 with PLN 9.9 million in cash and cash equivalents.

Net cash flows from operating activities amounted to PLN 32.3 million. The key items affecting cash flows was the gross profit reported for 2014, adjusted for impairment amounting to PLN 42.3 million, resulting from new game releases, alongside an increase in receivables by PLN 16.3 million.

Net cash flows from investing activities were negative at PLN -27.5 million. Expenditures connected with the financing of new game development constituted the key item.

Net cash flows from financing activities were negative at PLN -6.2 million, resulting from the Parent's bond buyback and repayment of credit facilities.

Cash and cash equivalents at the end of the reporting period amounted to PLN 8.6 million.

3.4. Profitability ratios

Ratio	Unit of measure	2014	2013
Sales margin	%	19.0%	40.4%
EBITDA margin	%	44.4%	30.4%
EBIT operating margin	%	1.2%	14.0%
Gross margin	%	1.1%	10.4%
Net margin	%	1.0%	26.4%
Return on assets	%	1.0%	26.9%
Return on equity	%	1.3%	33.6%

Ratios calculated as follows:

Sales margin	=	profit from sales / revenue from sales
EBITDA margin	=	EBITDA / Revenue from sales
EBIT operating margin	=	Operating profit / revenue from sales
Gross margin	=	Profit before tax / revenue from sales
Net margin	=	Net profit / revenue from sales
Return on assets	=	Net profit / assets
Return on equity	=	Net profit / equity

Sales margin reached 19% in 2014, down by 21.4pp from 2013, resulting from the following:

In 2014, Lords of the Fallen was sold at full retail price of USD 59.99 in the U.S., while Enemy Front was sold at a price of USD 39.90. The difference in store pricing resulted from the fact that Lords of the Fallen was developed for new consoles (PS4 and XboxOne), while Enemy Front for the older generation (PS3, Xbox).

Furthermore, given its high quality and reviews received from critics, Lords of the Fallen was being positioned as one of the best global productions available. The higher retail price of Lords of the Fallen translated into higher margins for the Company.

3.5. Asset structure

Item	Unit of measure	2014	2013
Intangible assets	%	29.8%	44.1%
Property, plant and equipment	%	1.3%	1.4%
Trade receivables	%	24.6%	8.0%
Inventories	%	3.0%	3.4%
Current investments	%	0.2%	0.4%
Cash and cash equivalents	%	8.7%	10.0%
Deferred income tax assets	%	25.9%	22.5%
Other assets	%	6.4%	10.2%

The asset structure at the end of 2014 (similar to previous years) was dominated by intangible assets, consisting primarily of game development costs. At December 31, 2014, this item amounted to PLN 29.5 million and accounted for 29.8% of the Company's assets.

Significant assets include deferred income tax assets (25.9% of the total carrying amount), cash and cash equivalents (8.7%) and trade receivables (24.6%).

3.6. Turnover ratios

Ratio	Unit of measure	2014	2013
Asset turnover ratio	Times turned over	1.0	1.0
Inventory turnover ratio		33.0	30.3
Receivables collection period	Number of days	91	29
Payables repayment period		47	41

Ratios calculated as follows:

Asset turnover ratio = revenue from sales / assets

Inventory turnover ratio = revenue from sales / inventory at the end of reporting period

{Receivables collection period = (trade and other receivables / revenue from sales) * number of days in period

Payables payment period = (trade and other payables / revenue from sales) * number of days in period

Turnover of inventories, receivables and payables increased mainly because of the release of Lords of the Fallen, which took place in the fourth quarter of 2014. Settlement of contracts with the Company's largest distributors will take place in Q1 2015, and turnover ratios should return to normal levels in that period.

3.7. Debt ratios

Item	2014	2013
Debt ratio	0.19	0.20
Debt to equity	0.23	0.25
Equity to assets	1.39	1.12
Short-term debt ratio	0.14	0.19
Long-term debt ratio	0.045	0.011

Ratios calculated as follows:

Debt ratio = (current liabilities + non-current liabilities) / total equity and liabilities

Debt to equity = (current liabilities + non-current liabilities) / equity

Equity to assets = (equity + non-current liabilities) / non-current assets

Current debt ratio = current liabilities / total equity and liabilities

Long-term debt ratio = non-current liabilities / total equity and liabilities

Debt ratios have improved in relation to the previous year. This is because all interest-bearing liabilities had been repaid by December 31, 2014.

3.8. Liquidity ratios

Item	2014	2013
Current ratio	2.72	1.45
Quick ratio	2.51	1.27
Cash ratio	0.62	0.53

Ratios calculated as follows:

Current ratio = current assets / current liabilities

Quick ratio = (current assets - inventory) / current liabilities

Cash ratio = cash and cash equivalents / current liabilities

All of the Company's liquidity ratios have improved considerably and are currently at very high levels. This resulted from not having any interest-bearing liabilities as at December 31, 2014 and maintaining a safe level of cash.

3.9. Financing structure

Item	Unit of measure	2014	2013
Equity	%	81.4%	80.0%
Non-current liabilities	%	4.5%	1.1%
Current liabilities	%	14.1%	18.8%

Just as in previous years, the Company financed its operations using own equity, which constitutes 81.4% of equity and liabilities.

All ratios concerning operations, assets and financial situations show that the Company is financially sound and serve as a stable platform for future growth and achievement of the Company's strategic objectives. According to the Company's Management Board, there are no circumstances such as would indicate a threat to the going concern or liquidity of the Company, and therefore to its ability to meeting liabilities in the ordinary course of business.

3.10. Information on product sales

The Company operates in the global video game development and publishing market. The Company places strong emphasis on sales via distribution of finished carriers with computer software, however in some cases it also sells licenses for software distribution within a given area and over a specified period of time.

The Company's revenue structure in 2013-2014 by product value was as follows:

Revenue from sales by value (data in PLN 000s)

Revenue	2014	% share	2013	% share	2014/2013
Own products (sale of games for consoles and PCs)	69 591	71%	82 437	82%	16%
Licenses	1 948	2%	6 251	6%	31%
Online sales	26 136	27%	11 736	12%	223%
Other sales	26	0%	548	1%	5%
Total	97 700	100%	100 971	100%	97%

Sales in the online segment grew the fastest in 2014 (up 223%), which is a very good result given that electronic sales (game downloads from the distributor's website) is the most profitable sales channel for the Company, and one that does not require any expenditure on physical manufacturing.

Revenue from sales by volume

Revenue	2014	% share	2013	% share	2014/2013
Own products (sale of games for consoles and PCs)	843 347	46%	1 573 806	68%	54%
Licenses	323 154	18%	179 750	8%	180%
Online sales	648 709	36%	472 105	20%	137%
Other sales	6 598	0%	77 709	3%	8%
Total	1 821 808	100%	2 303 370	100%	79%

3.11. Information on markets, including client and supplier dependence

In 2014, foreign sales accounted for 97% of total Company sales and did not significantly change from 2013. The Company's products are distributed in 72 countries around the world.

Share of exports in revenue from sales - 2014-2013

in PLN 000s

Sales	2014	2013
Foreign	94 913	97 701
<i>% share</i>	<i>97%</i>	<i>97%</i>
Domestic	2 787	3 270
<i>% share</i>	<i>3%</i>	<i>3%</i>
Total	97 700	100 971

Exports accounted for 96% of the sales volume, up by 1pp from 2013.

Sales	2014	2013
Foreign	1 750 869	2 182 132
<i>% share</i>	96%	95%
Domestic	70 939	121 238
<i>% share</i>	4%	5%
Total	1 821 808	2 303 370

Clients whose share in the Company's sales in 2014 exceeded 5%: City Interactive Inc SA, Koch Media GmbH, Square Enix Limited, Valve Corporation, Namco Bandai Games Europe.
Other counter-parties did not exceed the 10% threshold.

The following is a list of suppliers whose share in the Company's purchases in 2014 exceeded 10%: Microsoft Ireland Operations Ltd, Sony DADC USA INC, Sony DADC Austria AG CZECHY, Sony DADC Austria AG.
No other supplier exceeded the 10% threshold.

3.12. Information regarding CI Games S.A.'s significant agreements

1. Insurance agreements

During the reporting period, CI Games S.A. held the following insurance policies:

Insurer	Subject and scope of insurance	Period	Value (in 000s)
AIG Europe Limited	Civil liability insurance for the Company's Management Board	07.11.2012 - 06.11.2013	PLN 50 million
AIG Europe Limited	Civil liability insurance for the Company's Management Board	07.11.2013 - 06.11.2014	PLN 60 million
AIG Europe Limited	Civil liability insurance concerning product liability	10.06.2012 - 09.06.2013	USD 2 million
AIG Europe Limited	Civil liability insurance concerning product liability	10.06.2013 - 09.06.2014	USD 2 million
AIG Europe Limited	Civil liability insurance concerning product liability	05.05.2012 - 04.05.2013	USD 3 million
AIG Europe Limited	Civil liability insurance concerning product liability	05.05.2013 - 04.05.2014	USD 3 million
ERGO Hestia S.A.	Insurance for electronic equipment	15.09.2012 - 14.09.2013	PLN 2.2 million
ERGO Hestia S.A.	Property insurance	15.09.2012 - 14.09.2013	PLN 1.3 million
ERGO Hestia S.A.	Additional property insurance	27.09.2012 - 30.04.2013	PLN 5.0 million
AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A.	Insurance for electronic equipment and property	15.09.2013 - 14.09.2014	PLN 7.7 million
ERGO Hestia S.A.	Civil liability insurance concerning business operations or use of property	15.02.2013 - 14.02.2014	EUR 0.2 million.

Furthermore, the Company holds civil liability and Auto-Casco insurance for six passenger vehicles.

3. Agreements between shareholders

The Management Board of CI Games S.A. is not aware of any agreements executed between the Company's shareholders in 2014.

3.13. Agreements entered into between the Issuer and management personnel providing for compensation in the event of their resignation or dismissal without valid cause or if their dismissal or redundancy occurs as a result of the Company's merger

No such agreements were executed.

3.14. Information on parent CI Games S.A.'s loan agreements with consideration to their maturity dates and on the Company's guarantee and surety agreements

1. Credit and loan agreements

As at December 31, 2014, the Company did not have any substantial credit and loan liabilities. During the reporting period, the Company executed the following credit agreements:

On February 21, 2014, the Company signed a current-account loan agreement with Bank Spółdzielczy w Ostrowii Mazowieckiej, having its registered office in Ostrów Mazowiecka, ul. The Company received a PLN 5 million limit to be used for general corporate purposes, including Enemy Front and Lords of the Fallen development and marketing. Terms did not differ from market terms.

The final repayment date is March 31, 2015.

On May 13, 2014, the Company executed a EUR 2 million reverse factoring agreement with Alior Bank S.A. for financing products/licenses/production work concerning Enemy Front and Lords of the Fallen. The final repayment deadline is February 28, 2015.

The terms and provisions of the agreement did not differ from those normally applied to this type of agreement. At the same time, the Company executed an annex with Alior Bank S.A. to a treasury services framework agreement, under which forward contracts may be executed, extending the framework agreement to May 12, 2015.

On October 3, 2014, the Company signed an annex with Warsaw-based Alior Bank S.A. to a reverse factoring agreement of May 13, 2014, pursuant to which the financing limit was increased from EUR 2 million to EUR 2.6 million. The other terms of the agreement remained intact.

2. Lease agreements

As at December 31, 2014, the Parent, CI Games S.A., held one operating lease agreement, which was executed with Getin Leasing S.A. in 2013 (initial value: PLN 76 800, principal remaining as at December 31, 2014: approx. PLN 14 000).

3. Guarantee and surety agreements

The Company has a bank guarantee issued by Alior Bank S.A. on April 23, 2013 up to the amount of PLN 420 000 for Bertie Investment Sp. z o.o. concerning a lease of office space at ul. Puławska 182. The guarantee is valid until April 22, 2015.

As at December 31, 2014, The Company does not have any other contingent liabilities.

3.15. Security issuance during the reporting period - description of the use of proceeds

The Company did not issue any securities during the reporting period.

3.16. Information on loans granted by CI Games S.A.

The Company did not grant any significant loans to its employees or suppliers in 2014.

3.17. Level of salaries, awards, benefits paid out, due or potentially due to the Company's management or supervisory personnel

Level of (gross) remuneration for the Company's management and supervisory personnel paid out in 2014 (in PLN):

Management Board of CI Games S.A.

Marek Tymiński - President	253 800
Adam Pieniacki - Member	33 000

Supervisory Board of CI Games S.A.

Krzysztof Sroczyński - Chairperson	42 000
Marek Dworak - Member	30 000
Grzegorz Leszczyński - Member	30 000
Lech Tymiński - Member	30 000
Tomasz Litwiniuk - Member	30 000

3.18. Information on significant transactions executed by the Issuer or its subsidiaries with related parties

All transactions described below were executed on market terms. Company's transactions with subsidiaries and associates (data in PLN 000s):

	Costs	Revenues	Receivables	Payables
CI Games GmbH	151	5	190	-
City Interactive USA Inc.	10 080	21 759	5 631	-
City Interactive Studio SRL	26	-	-	-
Business Area	-	7	2	-
Business Area Sp. z o.o. Sp. j.	1 362	2 907	-	511
CI Games S.A. Sp. j.	502	7	2	648
CI Games Cyprus LTD	-	0	64	2 116
City Interactive Peru	-	-	-	571
TOTAL	12 121	24 686	5 889	3 847

Company's transactions with companies connected with Marek Tymiński – majority shareholder in the Parent, who directly or indirectly controls the following entities (in PLN 000s):

Entity	Costs / procurement	Revenues	Receivables	Payables
Onimedia Sp. z o.o.	-	10	4	-
Premium Food Restaurants S.A.	0	1	0	-
Tech Marek Tymiński	14	197	47	2
MT Golf Sp. z o.o.	-	8	18	-
TOTAL	14	216	70	2

Company's transactions with companies personally linked to members of its Supervisory Board and Management Board (in PLN 000s):

	Costs	Revenues	Receivables	Payables
Adam Pieniacki	199	-	-	-
TOTAL	199	-	-	-

3.19. Indication of proceedings in progress before a court, competent authority for arbitration proceedings or public administration authority

Information regarding on-going court proceedings is presented in note 35 to the annual consolidated financial statements.

3.20. Information regarding agreements with an entity authorized to audit financial statements

- Entity: Misters Audytor Adviser Spółka z o.o.
- Date of agreement for audit of separate and consolidated financial statements for 2014: 17 July 2014 The agreement concerns audit of Company and Group financial statements for 2014 (review of semi-annual and audit of annual).
- Total remuneration due for reviewing and auditing Company and Group financial statements in 2014: PLN 38 000 net

- d) The entity performing audit of Company and Group financial statements for 2013 (review of semi-annual and audit of annual) was CSWP Audyt Sp. z o.o. Sp. k. The total remuneration due for reviewing and auditing Company and Group financial statements in 2013 was PLN 42 000 net.

4. PERSPECTIVES

CI Games S.A. consistently implements its growth strategy aimed at regularly releasing high quality video games. Currently, the quality of the game development, marketing and sales process is the decisive factor impacting product planning and development activities. The Company produces games for PCs and next-gen consoles - which began selling in Q4 2013 and are gradually replacing the existing platforms.

The success of Lords of the Fallen means that the Company plans to release this title on tablets and mobile devices in 2015.

In 2014, the Company began work on Sniper Ghost Warrior III, a First Person Shooter, which was the most popular type of game for PCs and consoles in 2014. Aside from Lords of the Fallen, Sniper Ghost Warrior is the Company's most recognizable franchise, which has so far sold more than 5.6 million copies. The game is being developed for next-gen consoles - PS4 and XboxOne, as well as for PCs, with the release scheduled for 2015.

The Group is also carrying out concept work on Lords of the Fallen II.

The Issuer believes that its current strategy will allow CI Games S.A. to continue delivering strong financial performance and strengthen its position in global markets. The Company's Management Board believes that it has the necessary competences and technical capabilities to develop and release high quality games.

5. CORPORATE GOVERNANCE

Corporate governance standards are described in a separate document: DECLARATION ON APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES BY CI GAMES S.A. IN 2014

Marek Tymiński

President of the Management Board

Adam Pieniacki

Member of the Management Board

Warsaw, March 23, 2015